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**TO:** **Energy and Environment Committee**

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**RE:** **State Funding Shortfall and Potential Conformity Impacts**

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**SUMMARY:** Both the 2004 State Transportation Improvement Program (STIP) Fund Estimate and the Governor's proposed budget reductions (mid-year and Fiscal Year 2005 proposal) have significant implications on the 2004 Regional Transportation Plan (RTP) and the 2004 Regional Transportation Improvement Program (RTIP). SCAG's preliminary estimates indicate a \$ 4.3 billion reduction to the Draft 2004 RTP financial plan between now and the year 2010. This would result in delaying timely implementation of transportation control measure projects or not being able to pass the regional emissions tests for conformity. And eventually, it will result in jeopardizing the Region's conformity status, impacting the use of federal, state, and local transportation funds. SCAG is exploring some alternatives to restore the loss of funds in order to avoid the conformity lapse.

#### **Background**

On January 9, 2004, Governor Schwarzenegger released his Fiscal Year (FY) 2005 Budget. His proposal continues the mid-year reductions including the repeal of the statutory designation of the Transportation Congestion Relief Program (TCRP) projects. Accordingly, the FY 2005 Budget proposal suspends the transfer of Proposition 42 funds – totaling \$ 1.1 billion. Proposition 42 was approved in March 2002 and it provides for the annual transfer of gasoline sales tax revenues from the General Fund to the TRCP for transportation projects.

Additionally, the 2004 STIP Fund Estimate, covering the five-year period from (FYs 2004/05-2008/09), indicates that there will be no new funding capacity. Staff and consultants estimate a \$4.3 billion potential reduction to the Draft 2004 RTP financial plan between now and the year 2010.

#### **2004 RTP - Financial Plan**

Staff recognizes that the budget related items are simply proposals at this time. Until the budget is finalized, SCAG staff plans to move forward with the current Draft 2004 RTP financial plan.

In the upcoming weeks and months, as more detailed and finalized information becomes available, appropriate adjustments will be made.

## **Potential Conformity Implications**

The 2001 RTP and the 2002 RTIP are the operating documents for project implementation in the SCAG region. Both of these documents are federally approved and conforming ones.

Conformity status of the 2001 RTP will lapse on June 8, 2004 and the funding status of the 2002 RTIP will expire on October 4, 2004.

The Draft 2004 RTP, released in the late October 2003 for a public review and comment period, meets all four federally required tests: regional emissions, timely implementation of transportation control measures (TCMs), financial constraint, and public involvement/interagency consultation. Failure in any of these tests would result in a conformity lapse. The potential loss of \$ 4.3 billion between now and the year 2010 may adversely impact the regional emissions tests in various parts of the SCAG region and timely implementation of TCMs test in the South Coast Air Basin (SCAB) area.

If the 2004 RTP is not in place as the federally approved and conforming Plan, then SCAG will be out of conformity and many of the projects in the SCAG region would not be funded and implemented. A conformity lapse would trigger a loss in programming capacity and impact the use of federal, state, and local transportation funds. SCAG is exploring some alternatives to restore the loss of funds in order to avoid a conformity lapse.